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SUBJECT: OMV says Demand Strong for Nabucco Gas Pipeline

REF: a) Vienna 1044 and previous, b) Brussels 1238

Sensitive but unclassified - not for internet distribution.

¶1. (U) Nabucco consortium lead OMV has released a survey of large gas customers showing prospective demand approximately double the pipeline's technical capacity of 31 bcm per day. Nabucco chairman Reinhard Mitschek cited the "100% overbooking ... from day one" as "evidence for the need to build the pipeline in a growing gas market."

¶2. (SBU) Following the study's release on August 19, Embassy rep spoke with Nabucco Company spokesman Christian Dolezal who confirmed that the survey shows a 100 percent overbooking of Nabucco's projected gas capacity from 2013 to 2030. The survey comprised the full spectrum of European energy providers, who were unnamed for reasons of confidentiality. Dolezal said buyers are confident that Nabucco will find enough gas sources in the region and that Nabucco's business partners value its "multi-sourcing approach" -- connecting the pipeline to as many possible suppliers as possible in the Caspian and Middle East.

¶3. (SBU) Dolezal could not provide a timetable for steps leading to the final investment decision, which he expects to be taken in late 2008 or early 2009. Three conditions must be met before this decision:

- an approved exemption from certain provisions of Regulated Third Party Access based on Article 22 of the EU Gas Directive;
- the conclusion of the Intergovernmental Agreement with Turkey;
- and the execution of an "Open Season" (invitation to shippers to announce their interest in transportation of gas via Nabucco).

¶4. (SBU) COMMENT: OMV appears understandably nervous following repeated delays in Nabucco's formal launching, soaring pipeline costs, rumors about the South Stream pipeline project, and now the crisis in Georgia which underscores the need for energy independence but complicates potential Caspian supplies. Growing potential demand for Nabucco's gas, as evidenced by the latest survey, is welcome but not unexpected news. Unless Nabucco shows progress on the supply side and transit side, OMV may be hard-pressed to generate good news and manage expectations in the coming months.  
END COMMENT.

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